

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 ERDA-05 DODE-00

FPC-01 H-02 INT-05 L-03 NSC-05 PM-04 USIA-06 OES-06

SS-15 ACDA-07 FEA-01 /117 W
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R 141709Z OCT 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 2110

INFO ALL EC CAPITALS 2600

AMEMBASSY CANBERRA

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ENRG, EIND

SUBJECT: PROPOSED MEASURES TO ASSIST EC COAL INDUSTRY

1. SUMMARY: PARTIALLY AS A RESULT OF THE DIFFICULTIES CONTINUING TO FACE THE EC COAL INDUSTRY AS WELL AS THE NEED TO REDUCE EC DEPENDENCE ON PETROLEUM AND GAS, THE EC COMMISSION HAS PROPOSED A PROGRAM OF SUBSIDIES FOR CONSTRUCTION OF COAL-FIRED THERMAL ELECTRIC POWER PLANTS. THE COMMISSION IS RESISTING APPARENT PRESSURE FROM COAL PRODUCERS TO LIMIT OR CONTROL COAL IMPORTS FROM THIRD COUNTRIES, TO THE BACKGROUND OF CHARGES THAT EC COAL PRODUCTION HAS BEEN ALLOWED TO DECREASE IN THE PAST WHILE IMPORTS HAVE SHOWN A LARGE INCREASE. WITH EC COAL STOCKPILES REPORTEDLY APPROACHING THEIR LIMIT, TOTAL DEMAND FOR COAL BY THE COMMUNITY WILL BE LIMITED TO CURRENT CONSUMPTION.
END SUMMARY.

2. ACCORDING TO VON LUDWIG (EC COMMISSION OFFICIAL RESPONSIBLE)
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BLE FOR COAL PRODUCTION IN ENERGY DIRECTORATE GENERAL DG 17)

PROBLEMS FACING THE EC COAL SECTOR WERE DISCUSSED AT THE OCTOBER 4 MEETING OF THE EC COMMISSION'S ENERGY COMMITTEE. HE SAID THAT PRESENT PRODUCER STOCKPILES IN EC COUNTRIES OF 30 MILLION TONS OF COAL AND 16 MILLION TONS OF COKE (UP FROM 7 MILLION AND 1 MILLION, RESPECTIVELY, IN 1973) ARE APPROACHING THEIR TECHNICAL LIMITS. FURTHERMORE, INDUSTRIAL CONSUMERS ALSO DISPOSE OF LARGE STOCKPILES. THE COMMUNITY THEREFORE IS UNLIKELY TO PRODUCE AND IMPORT MORE THAN IT IS CURRENTLY CONSUMING.

3. VON LUDWIG FURTHER STATED THAT THE EC COAL PRODUCERS ASSOCIATION (GROUPING UK, FRG, FRANCE AND BELGIUM PRODUCERS) RECENTLY SENT A STUDY TO THE COMMISSION POINTING OUT THAT ALTHOUGH COAL IMPORTS HAVE GREATLY INCREASED, PRODUCTION BY EC COUNTRIES HAS ACTUALLY FALLEN SINCE 1972, DESPITE THE 1973 ENERGY CRISIS. THE ASSOCIATION IN ITS STUDY STATES THAT THE PROBLEM IS CAUSED IN PART BY IMPORTS AND IMPLIES THAT EC ENERGY POLICY FAVORS IMPORTS OVER LOCAL PRODUCTION OF COAL.

4. VON LUDWIG STATED THAT IN ITS REPLY TO THE ASSOCIATION, THE EC COMMISSION POINTED OUT THAT THE BULK OF THE INCREASE IN IMPORTED COAL WAS DESTINED LARGELY AS A SUBSTITUTE FOR PETROLEUM AND NATURAL GAS FOR ELECTRIC POWER GENERATION IN COASTAL AREAS AND DOES NOT COMPETE DIRECTLY WITH EC COAL, WHICH HAS SUFFERED RATHER FROM DECREASED STEEL PRODUCTION AS A RESULT OF THE RECESSION. VON LUDWIG COMMENTED THAT THE ASSOCIATION IS FULLY AWARE OF THESE POINTS BUT HAD RAISED THE ISSUE FOR POLITICAL REASONS IN ORDER TO INCREASE PRESSURE FOR MORE FAVORABLE TREATMENT OF EC COAL PRODUCERS.

5. VON LUDWIG NOTED THAT THE COMMISSION IS GENUINELY CONCERNED OVER THE PRESENT TREND TOWARD A DECREASE IN COAL-POWERED ELECTRIC POWER GENERATING CAPACITY, WHICH MAY FALL AS MUCH AS 30 GIGAWATTS BY 1985. IN ORDER TO REVERSE THIS TREND, THE COMMISSION RAISED THE POSSIBILITY AT THE OCTOBER 4 ENERGY COMMITTEE MEETING OF PROVIDING SUBSIDIES TO ENCOURAGE CONSTRUCTION OF THERMAL POWER GENERATING PLANTS USING COAL. THE REACTION WAS MIXED BUT THE COMMISSION WAS ASKED TO PURSUE ITS STUDIES OF THIS NEW SUBSIDY PROGRAM. DIRECTOR GENERAL FOR ENERGY LEONARD WILLIAMS SUBSEQUENTLY TOLD MISSION OFFICERS THAT ONE OR TWO YEARS MIGHT BE NEEDED BEFORE A SUITABLE SUPPORT PROGRAM COULD LIMITED OFFICIAL USE

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BE FORMULATED AND APPROVED.

6. THE MISSION RECENTLY OBTAINED THE TEXT OF A SPEECH DELIVERED ON SEPTEMBER 29 AT A COAL PRODUCERS' SYMPOSIUM IN LUXEMBOURG BY KARLHEINZ REICHERT, HEAD OF THE EC COMMISSION COAL DIRECTORATE IN DG 17, IN WHICH REICHERT STATED THAT "IMPORTS CANNOT BE SOLELY BLAMED FOR THE CURRENT PRONOUNCED IMBALANCE ON THE COAL MARKET" OF THE EC. "THE EXISTENCE OF SECTORAL AND REGIONAL

PROBLEMS OF ADAPTION DOES NOT MEAN THAT THERE SHOULD BE OVERALL
COMMUNITY PLANNING OR CONTROL IMPORTS," HER REMARKED. "ACTION
ON LONG TERM IMPORT ARRANGEMENTS SHOULD ONLY BE TAKEN WHEN COAL
POLICY OBJECTIVES ARE IN JEOPARDY." VON LUDWIG STATED THAT THE
REICHERT STATEMENT WAS INTENDED TO PUT THE ASSOCIATION'S IMPLIED
CALL FOR RESTRICTIONS ON THIRD COUNTRY IMPORTS INTO PROPER
PERSPECTIVE. HE ADDED THAT CRITICISM OF EC COAL IMPORTS HAD
FOCUSED PRIMARILY ON LARGE INCREASES OF COAL IMPORTS FROM
POLAND AND AUSTRALIA AS BEING LESS "SECURE" THAN IMPORTS
FROM THE U.S.MORRIS

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